

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF UNITED STATES)	
TRANSMISSION SYSTEMS, INC. FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	CASE NO. 10200
NECESSITY TO PROVIDE INTERLATA)	
TELECOMMUNICATIONS SERVICES WITHIN THE)	
STATE OF KENTUCKY)	

O R D E R

On March 18, 1988, United States Transmission Systems, Inc. ("USTS"), filed its application for a Certificate of Public Convenience and Necessity to provide interLATA¹ telecommunications services within the Commonwealth of Kentucky.

USTS is a wholly-owned subsidiary of ITT Communications Services, Inc. which itself is owned by ITT Communications and Information Services, which in turn is owned by ITT Corporation.

USTS has beneficial ownership of a transmission and switching system which provides services in 39 states and the District of Columbia. USTS integrates its microwave network with additional facilities obtained from other carriers. USTS has been certified by the Federal Communications Commission to operate a nationwide interstate telecommunications system and has been authorized to provide intrastate telecommunications services in 21 state jurisdictions.

¹ Local Access Transport Area.

USTS proposes to provide Kentucky intrastate services similar to its existing interstate services and under the same general conditions and regulations. The principal services to be marketed in Kentucky are MTS² and WATS-like³ services accessed through local exchange facilities.

USTS obtains switched access services from local exchange carriers in Kentucky, which are then connected to transmission facilities leased from other carriers. These transmission facilities are in turn connected to USTS switch locations in Cleveland, Ohio, and Atlanta, Georgia. In general, the Commission is concerned that locating switching equipment out of state, by a carrier that uses resold services⁴, may encourage the inappropriate use of interstate access facilities for transporting intrastate traffic.⁵ It is not clear from USTS' application whether it is making appropriate use of access facilities. However, the Commission has already announced its

² Message Toll Service.

³ Wide Area Telecommunications Service.

⁴ This is because it would be possible to transport intrastate traffic to a switch located out of state using services provided by one carrier and then transporting traffic back into Kentucky using the services of a different carrier. To each carrier, the traffic would appear to be interstate and would be reported as such. However, it is recognized that this might not be a problem if the utility orders its own access services and properly reports its jurisdictional usage of those services. A carrier such as USTS, which leases facilities, rather than services, would probably be in the latter position.

⁵ The Commission defines intrastate traffic as traffic that originates and terminates within Kentucky, regardless of how it is routed.

intention to open a generic proceeding to investigate the issue of compensation for unauthorized intraLATA traffic. Because these issues have similar consequences, i.e., the loss of intrastate toll and access revenues, the Commission is of the opinion that any inquiries concerning USTS' access to the local network would be more appropriately included in the pending generic proceeding rather than the instant case.

FINDINGS AND ORDERS

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that:

1) USTS has the financial, technical, and managerial abilities to provide reasonable service.

2) USTS should be granted authority to provide intrastate interLATA telecommunications services to the public. This grant is expressly conditioned upon, but not limited to, USTS' compliance with Orders in Administrative Case No. 273, An Inquiry into Inter- and IntraLATA Intrastate Competition in Toll and Related Services Markets in Kentucky, and Case No. 8838, An Investigation of Toll and Access Charge Pricing and Toll Settlement Agreements for Telephone Utilities Pursuant to Changes to be Effective January 1, 1984, as they apply to interLATA carriers. This includes, but is not limited to, the following: provision of jurisdictional reports consistent with the Commission-approved methodology and maintenance of complete, detailed and accurate records, workpapers and supporting documentation for these jurisdictional reports for one year, and provision of Universal Local Access Service Tariff channel

reports to the Commission and South Central Bell Telephone Company, as pool administrator.

3) USTS should not be allowed to provide intrastate intraLATA services to the public.

4) USTS should conform its intrastate offering of service to the provisions of the May 25, 1984, and October 26, 1984, Orders in Administrative Case No. 273.

5) USTS should file within 20 days from the date of this Order its tariff sheets in accordance with 807 KAR 5:011.

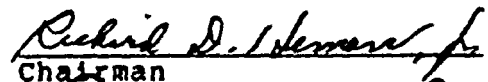
IT IS THEREFORE ORDERED that:

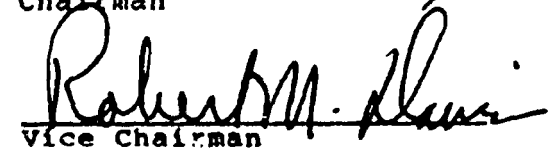
1) USTS be, and it hereby is, authorized to provide intrastate interLATA telecommunications services to the public.

2) USTS shall comply with all matters set out in Findings 2 through 5 as if same were individually so ordered.

Done at Frankfort, Kentucky, this 24th day of June, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director